



HOUSE BUDGET COMMITTEE

Democratic Caucus

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Republicans Underfund the SEC

In the wake of the Enron and MCI WorldCom bankruptcies and other corporate scandals, we must do everything we can to ensure corporate accountability and protect employees, shareholders, and consumers. Democrats are concerned that Republican budgets have underfunded the Securities and Exchange Commission (SEC) and thus diminished that agency's enforcement capabilities. To date, the Administration has paid lip service to a strong SEC but has failed to include in its budget the funding needed to create it.

Despite bipartisan agreement that the SEC has not had adequate resources to keep up with its workload, this year's House Republican budget and the President's budget failed to increase funding to hire more staff or to provide the competitive salaries needed to improve SEC staff retention. While the President in July finally spoke in favor of increasing funding for the SEC above his budget request, his proposal falls more than \$150 million below the amount recently approved by the Senate Appropriations Committee.

- ***Republican Budgets Reject Bipartisan Consensus on Pay Parity for SEC*** — Lawyers, accountants, and examiners at federal banking agencies make up to 40 percent more than comparable employees at the SEC. Between 1998 and 2000, the SEC had turnover of about one third of its staff, hindering its performance of critical regulatory functions. In January 2002, the President signed into law legislation authorizing SEC pay parity. SEC Chairman Harvey Pitt has stated his strong support for SEC pay parity, as did the 2003 Views and Estimates for both the Majority and the Minority of the House Financial Services Committee. *Yet, neither the President's budget nor the House Republican budget provided funding for SEC pay parity.*
- ***Budget Committee Republicans Rejected Democratic Pay Parity Amendment*** — In the House Budget Committee markup of this year's budget resolution, Democrats offered an amendment to provide roughly \$70 million per year to fund SEC pay parity. *The amendment was defeated because every Republican member of the Budget Committee voted against it.*

- ***Republican Budgets Fail to Provide Funding to Boost SEC Staffing*** — A March 2002 GAO report concluded that resource limitations have resulted in an SEC staff that is smaller than is needed to keep up with the SEC's workload. SEC Chairman Harvey Pitt has requested additional funding to increase SEC staffing levels, and Republicans and Democrats on the House Financial Services Committee have also requested increased SEC funding. *Yet, neither the President's budget nor the House Republican budget for 2003 provided funding for new SEC staff.*
- ***Recent Administration Proposal Falls Over \$150 Million Short*** — On July 9, the President proposed increasing funding for the SEC above his 2003 budget request. However, his proposed \$100 million increase is still more than \$150 million less than the amount approved recently by the Senate Appropriations Committee.

As the Administration works with Congress to find solutions to the problems of corporate accountability, the Administration needs to provide the SEC with the resources it needs to do its job effectively.